

BUSINESS PARTNERS

WHO ARE OUR BUSINESS PARTNERS?

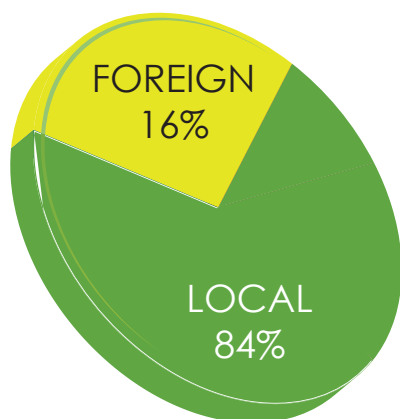
Our business partners include suppliers, dealers and agents. We rely heavily on our partners from both an operational perspective and also in terms of our reputation. We also understand that we can play an important role in encouraging sustainable practices throughout our business ecosystem and value chain by engaging with our partners in this regard.

In terms of our suppliers, we used 994 providers and spent a total of just under KSH 89.9 billion on products and services during the reporting period. The increase in year-on-year spending can be attributed to capital investment in technology networks relating to a significant government project.

We continue to promote local suppliers where feasible and we are satisfied with the weighting towards Kenyan companies achieved during the year, with 84% of our providers being local. We categorise our suppliers based on the nature of the product or service provided and the majority of our spend during the year was on network technology-related goods and services. There were no significant changes in our supply chain during the reporting period.

Supplier location	FY15		FY14		FY13	
	Spend Value (KSh billion)	No. Suppliers	Spend Value (KSh billion)	No. Suppliers	Spend Value (KSh billion)	No. Suppliers
Foreign	32,548	164	26,474	184	27,961	175
Local	57,346	830 (84%)	40,415	796 (81%)	32,421	888 (84%)
Total	89,894	994	66,889	980	60,382	1063

FY15 SUPPLIER LOCATION



We have a network of 487 'active' dealers across Kenya that sell data, devices and airtime on behalf of Safaricom. We believe that this is the right size of network to support the market at the moment so we are not actively onboarding new dealers and expect this number to remain fairly stable in the near future. Our current focus is not to increase the number of dealers, but to help each individual dealer achieve greater volumes and success.

We also have 85 756 M-PESA agents who support and administer M-PESA related transactions for customers. The size of our current agent network is also fairly stable and, as with our dealers, our present focus is to help individual agents achieve greater volumes and success rather than grow the network.

WHAT ARE BUSINESS PARTNERS' NEEDS AND EXPECTATIONS OF US?

Like all commercial organisations, our business partners rely on us to honour our agreements, fulfill our obligations and to engage with them in an ethical, responsible and respectful manner. Aside of their expectations in terms of how we transact, our business partners are also keenly interested in our sustainability as a business, of course. Other specific areas of concern for partners include: pricing and profit margins; timely payment and favourable terms; the swift resolution of conflicts and disagreements; and support and assistance when needed.

HOW DID WE DELIVER VALUE TO THEM DURING THE YEAR?

Suppliers

Annual Partners Forum

We meet with our suppliers every year to hear their concerns and exchange ideas and information with them. During the event, we conduct a survey to assess their perceptions and levels of satisfaction and confidence regarding Safaricom. We use the feedback gained through the survey to adjust our processes and offerings to partners.

At this year's forum, suppliers revealed that they are not happy in general and with delayed payments, in particular. While there was a slight improvement in terms of their satisfaction with their relationship with Safaricom, the overall supplier confidence score dropped from 76% to 64%. This feedback triggered an internal workshop to assess supplier payment processes and an initiative to help address this issue will be launched next year.

The survey also exposed low levels of awareness of Safaricom products and services among suppliers, especially data services, which presents us with an opportunity to market our products and increase usage.

The main areas where suppliers expressed improved satisfaction during the year were our levels of transparency and secure contracts.

Performance evaluations

We undertake performance evaluations of all of our suppliers on a quarterly or bi-annual basis. Suppliers are measured against a variety of indicators (e.g. cost, quality, delivery, responsiveness, flexibility, value-add, health and safety) and a performance score is calculated. Suppliers whose performance is below the required threshold (<60%) are assisted with customised performance improvement plans (PIP) and mentored towards achieving acceptable levels of service. In case of lack of improvements after a PIP has been implemented, the contract is recommended for termination and no invitations are sent for participation in future business opportunities.

There has been an increase in supplier performance evaluations since implementation of our online enterprise performance management portal in November 2013. Our average supplier performance score has been >75% for the past three years. Our FY15 score was 78% with a participation of 354 suppliers. Our focus in the coming year is optimisation of the performance to enhance value to our customers.





Sustainability self-assessments

We help suppliers embed sustainability within their organisations by asking them to complete a sustainability self-assessment. The questionnaire raises supplier awareness of the issues by asking them to evaluate their performance in the following areas: fraud and ethics; human resources, including freedom of association and employee benefits; health and safety; the environment; the community and corporate giving; regulatory compliance; and child rights.

We identified focus areas from prior survey results and engaged our suppliers at the supplier forum on the following topics: fraud and ethics; health and safety; the environment; the community; and corporate giving. For each topic, we engaged on key considerations and suggestions on how to manage risks posed. We plan to conduct another supplier self-assessment in FY16.

Dealers

Relationship Managers

We introduced dealer Relationship Managers (RMs) last year. The RMs provide each dealer with a single point of contact to assist them with any challenges or issues they are facing. The RMs also put together business plans for each dealer to help them identify areas for improvement and potential growth. We currently have four dealer RMs, who are supported by four support executives.

Area Sales Managers

We expanded the geographical coverage of our Area Sales Managers (ASMs) from 32 to 36 areas during the year. ASMs provide essential on-site support to dealers and serve as a direct link between our RMs at head office and dealer branches around the country. As well as assisting dealers with implementing their business plans and other needs, the ASMs also listen to the ideas and concerns of dealers and share this feedback with our RMs.

Mobility scheme

Dealers need to be mobile as they may have as many as 10 outlets. We help them achieve this through our subsidised motorbike scheme. During the year, we expanded the range of bikes available to 10, each suited to different terrains and lengths of journey.

Weekend capital financing

During the year, we began providing dealers with interest-free, unsecured loan facilities to help them make

sure they have enough working capital and stock to meet demand over the weekend while the banks are closed.

Lipa na M-PESA upgrade

We also upgraded the Lipa na M-PESA merchant collections service during the year, reducing the turnaround time from 2 hours to 30 minutes and enabling dealers to view tills and see how their agents are trading.

Dealer of the Year Awards

We expanded the format of our annual Dealer of the Year Awards (DOYA) to include a Lipa na M-PESA category and increased the number of winners from three to five.

Dealer Forums

This is an ongoing initiative and we host several Dealer Forums each year. It is an excellent opportunity for us to listen to dealers as they share their concerns, needs and ideas for ways in which we can improve our services and support them further. Our RMs were an idea that came out of a forum, for instance.

Agents

Relationship Managers

We also introduced agent Relationship Managers (RMs) last year. Our agent RMs provide agents with similar support and assistance as the dealer RMs discussed previously. We currently have four agent RMs, who manage the 300 top performing accounts.

Principle Forums

We changed the format of our agent Principle Forums this year. We solicited feedback on challenges and issues at the start of the year, such as commissions and the migration to the new system, and then reported back on our progress against these challenges at the end of the year. As a result, the forums are much more intensive and focused and agents are seeing quicker, more tangible outcomes.

Agent assistant training

A new initiative launched during the year, this is a one-on-one training session that identifies and plugs the gaps in an individual's knowledge, empowering them and improving the service they are able to provide customers and colleagues. So far, our area managers have been trained.

Weekend capital financing

Like the service launched for dealers, this new facility provides agents with an internal float over weekends

and public holidays, ensuring they have enough stock to meet demand during these periods.

Kenya Commercial Bank service upgrades

As well as not being charged to replenish their floats at Kenya Commercial Bank (KCB), agents can now access loans at a reduced rate of 16% interest.

Merchandising

During the year, the top 300 accounts were rewarded with a wider range of branded merchandising than in previous years, including calendars, umbrellas, caps and t-shirts. The top 1,000 outlets also received t-shirts.

Regional Agent Awards

Our annual Awards event was expanded and improved this year as well. Events were held in five regions and there were more categories of winners than previously.

FOCUS AREAS FOR THE YEAR AHEAD

Suppliers

Supplier portal upgrade

A direct result of the feedback received at this year's Forum regarding delayed payments, we will be upgrading the supplier portal this year to enable supplier to submit and track invoices online.

Prospective supplier portal

We look forward to implementing a portal for prospective suppliers, through which they can express their interest in doing business with Safaricom.

Procurement policy revisions

We will be updating our procurement policy to include criteria for evaluating 'diversity' and 'inclusiveness'. This revision is designed to address a bias built into our current procurement policies towards large companies and ensure that smaller companies and those run by women, in particular, are not excluded from our procurement processes.

Supplier risk assessments

Monthly spot reviews have proved a useful way of improving supplier performance against various risks, including health and safety issues. We increased the number of assessments carried out during the year and plan to further increase this number in the year ahead.



Dealers

Relationship Managers

We are planning to on-board an additional RM and Support Executive. This will make RM workloads more manageable — 90 dealers per RM instead of 120 — and enable RMs to provide additional support to dealers. The way we measure the performance of RMs will also be improved through a set of expanded KPIs, which will include the NPS, ensuring that soft issues are measured alongside numbers and targets.

Customer acquisition campaign and free branding

We have finalised plans for an exciting new customer acquisition campaign that will launch during the year ahead. In tandem with this campaign, we will also help dealers increase their visibility in the market through free signage and branding for shops, walls and vans.

Dealer empowerment scheme

We plan to expand this scheme next year through extra branding and product launches and provide customer care support and assistance to around 300 dealers.

Agents

Our overall focus regarding agents in the year ahead will be to get closer to them and provide them with extra support as their success is our success. We are keen to reach out to agents and make sure there is no disconnect between agents and head office, particularly given the increased competition we expect to see at this level. We do not want to be seen as 'a transaction', but as an operator who is listening to them and responsive to their needs.

Among specific focus areas are:

Increasing the number of Super Agents

Super Agents provide an essential service to other agents in areas that are poorly serviced by banks because they can sell float on to other agents. During the year ahead, we intend to appoint additional Super Agents and ensure there is one every 10 kilometres.

Expanding the Relationship Manager service

We are planning to on-board an additional RM in the year ahead and to provide RM services to an additional 200 accounts (the top 500).

Agent assistant training

We intend to cascade this training down to people working in outlets during the year ahead.